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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended January 31, 1992
Commission File Number 0-16581

COMPONENTGUARD, INC.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

13-3278450
(I.R.S. Employer
Identification Number)

100 Summit Lake Drive, Valhalla, New York
(Address of principal executive offices)

10595
(Zip Code)

Registrant's telephone number, including area code: (914) 741-5600

Former name, former address and former fiscal year, if changed
since last report: Not applicable

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15 (d) of the
Securities Exchange Act of 1934 during the preceding twelve (12)
months (or for such shorter period that the registrant was required
to file such reports), and (2) has been subject to such filing
requirements for the past ninety (90) days.

YES X

NO _____

CLASS
Common Stock, \$.0001
Par Value

Outstanding Shares as of January 31, 1992
27,068,426

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COMPENENTGUARD, INC.

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COMPONENTGUARD, INC.
BALANCE SHEETS

ASSETS	January 31, 1992 <u>(Unaudited)</u>	July 31, 1991 <u>1991</u>
Current Assets:		
Cash	\$ 142,830	\$ 381,033
Restricted Certificate of Deposit	500,000	50,000
Accounts Receivable (Less Allowance of \$377,161 and \$799,605)		
Inventory	704,584	934,868
Prepaid Expenses	379,423	298,225
Employee Advances	58,814	61,655
Other Current Assets	6,356	14,018
	<u>120,336</u>	<u>120,529</u>
Total Current Assets	1,912,343	1,930,328
Restricted Certificate of Deposit		650,000
Employee Advances - Long Term		16,367
Property and Equipment (Net of Accumulated Depreciation and Amortization of \$208,299 and \$145,083)	307,109	225,343
Security Deposits and Other Assets	<u>54,424</u>	<u>82,570</u>
<u>TOTAL ASSETS</u>	\$2,273,876	\$2,904,608
	*****	*****

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
BALANCE SHEETS

	January 31, 1992 (Unaudited)	July 31, 1991
<u>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</u>		
Current Liabilities:		
Accounts Payable	\$ 404,700	\$ 598,862
Accrued Expenses and Other	1,618,636	853,390
Convertible Notes Payable	500,000	
Convertible Subordinated Debentures	1,000,000	
Other Current Liabilities	<u>14,270</u>	<u>12,156</u>
Total Current Liabilities	<u>3,537,606</u>	<u>1,464,408</u>
Long-Term Debt		
Convertible Subordinated Debentures	<u>11,810</u>	<u>18,343</u>
Long-Term Accrued Expenses		<u>1,000,000</u>
		<u>650,000</u>
Shareholders' Deficiency:		
Common Stock, Par Value \$.0001;		
60,000,000 Shares Authorized;		
January 31, 1992 - 27,118,426 shares		
issued; 27,068,426 outstanding;		
July 31, 1991 - 22,308,315 shares		
issued; 22,258,315 outstanding.	2,707	2,226
Common Stock to be issued - 1,350,000 shares		
at January 31, 1992 and 6,200,300 shares		
at July 31, 1991	135	620
Additional Paid in Capital	5,143,552	5,393,548
Accumulated Deficit	<u>(6,406,934)</u>	<u>(5,359,537)</u>
Total	(1,260,540)	36,857
Less: Treasury Stock (50,000 shares) at cost	(15,000)	(15,000)
Shareholder Receivable		<u>(250,000)</u>
Total Shareholders' Deficiency	<u>(1,275,540)</u>	<u>(228,143)</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS'</u>		
<u>DEFICIENCY</u>	<u>\$2,273,876</u>	<u>\$2,904,608</u>
	*****	*****

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
UNAUDITED STATEMENT OF OPERATIONS

	FOR THE SIX (6) MONTHS ENDED JANUARY 31,	
	<u>1992</u>	<u>1991</u>
Sales of Extended Warranty Programs	\$2,534,434	\$4,102,522
Less: Deferred Revenue		<u>4,043,367</u>
Current Revenue Earned	2,534,434	59,155
Prior Deferred Revenue Earned		<u>928,880</u>
Revenue from Sales of Extended Warranty Programs	2,534,434	1,058,035
Other Revenue	<u>2,647</u>	<u>13,716</u>
Total Revenue	2,537,081	1,071,771
Operating Expenses:		
Selling and Promotion	1,260,758	945,017
General and Administrative	1,407,429	1,723,812
Insurance Expense	<u>887,052</u>	<u>173,662</u>
Total Operating Expenses	3,555,239	2,842,491
Interest Income (Expense) - Net	<u>(25,005)</u>	<u>(28,907)</u>
Net Loss Before Taxes on Income	(1,043,163)	(1,799,627)
Provision for Income Taxes	<u>4,234</u>	<u>25,858</u>
<u>NET LOSS</u>	<u>\$(1,047,397)</u>	<u>\$(1,825,485)</u>
<u>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</u>	<u>29,461,204</u>	<u>21,353,215</u>
<u>NET LOSS PER COMMON SHARE</u>	<u>\$(0.04)</u>	<u>\$(0.09)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
UNAUDITED STATEMENT OF OPERATIONS

	FOR THE THREE (3) MONTHS ENDED JANUARY 31,	
	<u>1992</u>	<u>1991</u>
Sales of Extended Warranty Programs	\$1,115,516	\$2,105,613
Less: Deferred Revenue		<u>2,046,450</u>
Current Revenue Earned	1,115,516	59,155
Prior Deferred Revenue Earned		<u>563,279</u>
Revenue from Sales of Extended Warranty Programs	1,115,516	622,434
Other Revenue	<u>262</u>	<u>9,502</u>
Total Revenue	1,116,478	631,939
Costs and Expenses:		
Selling and Promotion	625,969	401,914
General and Administrative	772,401	782,642
Insurance Expense	<u>375,960</u>	<u>136,162</u>
Total Operating Expenses	1,774,330	1,320,718
Interest Income (Expense) - Net	<u>(17,403)</u>	<u>(25,387)</u>
Net Loss Before Taxes on Income	(675,255)	(714,166)
Provision for Income Taxes	<u>2,305</u>	<u>8,320</u>
<u>NET LOSS</u>	<u>\$(677,560)</u>	<u>\$(722,486)</u>
	*****	*****
<u>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</u>	<u>29,461,204</u>	<u>21,160,104</u>
	*****	*****
<u>NET LOSS PER COMMON SHARE</u>	<u>\$(0.02)</u>	<u>\$(0.03)</u>
	*****	*****

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
UNAUDITED STATEMENTS OF CASH FLOWS

FOR THE SIX (6) MONTHS
ENDED JANUARY 31,
1992 1991

Cash Flows from Operating Activities:		
Net Loss	\$(1,047,396)	\$(1,825,485)
Adjustments to Reconcile Net Loss to Net Cash (Used in) Operating Activities:		
Depreciation and Amortization	80,860	31,095
Non-Cash Expenses		306,913
Provision for Returns and Doubtful Accounts	422,444	18,751
Changes in Assets and Liabilities:		
Accounts Receivable	(192,160)	(1,323,931)
Prepaid Expenses and Other Current Assets	71,755	(50,603)
Insurance Escrow Fund		(489,071)
Inventory	(81,198)	(139,898)
Employee Advances	7,662	(8,149)
Security Deposits and Other Assets	28,146	(9,999)
Deferred Costs Associated with Extended Service Contracts		(584,679)
Accounts Payable, Accrued Expenses and Other Liabilities	(76,802)	(114,851)
Deferred Revenues		3,044,486
Net Cash (Used in) Operating Activities	(786,689)	(1,125,421)
Cash Flows from Investing Activities:		
Purchase of Certificate of Deposit		(46,975)
Proceeds from Certificate of Deposit	200,000	100,000
Acquisition of Property and Equipment	(144,981)	(49,449)
Sales of Marketable Securities		100,016
Net Cash Provided by Investing Activities	55,019	103,592
Cash Flows from Financing Activities:		
Reduction of Obligation under Capital Lease	(6,533)	(2,063)
Proceeds from Issuance Convertible Demand Notes	500,000	
Purchase of Treasury Stock		(45,000)
Net Cash Provided by (Used in) Financing Activities	493,467	(47,063)
Net (Decrease) in Cash	(238,203)	(1,068,892)
Cash - Beginning of Period	381,033	1,280,195
Cash - End of Period	\$ 142,830	\$ 211,303
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 102,351	\$ 84,463
Conversion of Notes Payable to Common Stock		1,500,000
Conversion of Shareholder Receivable to Unissued Shares of Common Stock	250,000	

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COMPONENTGUARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 1992

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six and three month periods ended January 31, 1992 are not necessarily indicative of the results that may be expected for the year ended July 31, 1992.

ComponentGuard, Inc. (the "Company") utilized for the first two quarters of fiscal 1991, the "full deferral method" of accounting for recognizing revenues on sales of extended warranty contracts as prescribed in the Financial Accounting Standards Board's Emerging Issues Task Force Issue No. 89-17. The specific application of the full deferral method of accounting required the Company to initially defer such revenues and recognize them on the straight-line basis over the lives of the related service contracts beginning approximately five months after the initial sale (such period represented the Company's estimate of the time required for warranty coverage to commence). Costs incurred by the Company for repair work (direct costs) were expensed as incurred and costs directly associated with the sale of the extended warranty contracts were deferred and amortized in proportion to the recognition of revenues.

Until April 1991, the extended warranty contracts administered by the Company were insured by an aggregate limit service contract reimbursement insurance policy. In April 1991, the Company cancelled its aggregate limit service contract reimbursement insurance policy and obtained a non-aggregate limit contractual liability insurance policy for all unexpired service contracts. This insurance policy transfers the total risk of loss on the extended warranty contracts to an insurance company, and utilizes the Company as a claims administrator. Accordingly, the Company no longer bears the ultimate risk of loss for repair work performed under the extended warranty contracts that it sells, and the Company now recognizes revenues at the time of sale and the costs directly associated with such sales as incurred.

NOTE 2 - INCOME TAXES

For income tax purposes, the Company is required to fully recognize revenues from sales of extended warranty contracts at the time of shipment, and can deduct related expenses as incurred.

At January 31, 1992, the Company has net operating losses for tax purposes of approximately \$5,528,000 available for carry-forward against future taxable income, which expire during the fiscal years 2003 through 2005. The difference between the tax loss carryforwards and the accumulated deficit of \$6,406,934 at January 31, 1992 relates principally to timing differences arising from the allowance for sales returns and doubtful accounts, and the estimate for future administration costs accrued by the Company. No benefit has been recorded in the accompanying financial statements for any tax loss carryforwards since such benefit cannot be assured.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 96, "Accounting for Income Taxes," as amended, which must be adopted by the Company no later than fiscal 1993. The Company has elected not to adopt SFAS No. 96 for the fiscal year ended July 31, 1992. The impact of SFAS No. 96 on the Company's financial statements upon future adoption is not reasonably estimable at this time.

NOTE 3 - NET LOSS PER SHARE

Net loss per share is based upon the weighted average number of common shares outstanding during the period. The calculation of earnings per share does not include the effects of the assumed conversion for either the \$1.5 million Convertible Subordinated Note for the six month period ended January 31, 1991, or the \$1 million Convertible Subordinated Debentures for the six month periods ended January 31, 1992 and 1991, since their effect on the net loss per share would be anti-dilutive. Additionally, no effect has been given to outstanding options and warrants for any year presented herein since their effect on the net loss per common share would also be anti-dilutive.

NOTE 4 - CONTINGENCIES

On January 3, 1991, in an action captioned *ComponentGuard, Inc. vs. Martin Gerber and Warrantech, Inc.*, the Company filed a suit in New York Supreme Court, Westchester County, against a former employee of the Company and Warrantech, Inc. The Company claims the former employee supplied Warrantech, a competitor of the Company, with confidential production information, and seeks to compel Warrantech to return the information, to refrain from photocopying the information and to refrain from soliciting or otherwise contacting ComponentGuard customers and potential customers whose names were obtained by the former employee through his alleged taking of the proprietary information while employed by the Company. The Company is seeking an accounting and damages for

Results of Operations (Con't):

Extended warranty programs sold for the three months ended January 31, 1992 were \$1,115,516 compared to \$2,105,613 for the three months ended January 31, 1991, a decrease of \$990,097, or 47%. Extended warranties sold for the six months ended January 31, 1992 were \$2,534,434 compared to \$4,102,522 for the six months ended January 31, 1991, a decrease of \$1,568,088, or 38%. The sales of the Company in the three and six month periods ended January 31, 1992 were adversely affected by a slowdown in the consumer electronics industry due to economic factors. The Company believes that this trend will continue in fiscal 1992 and is attempting to offset this trend by expanding sales to lawn and garden stores and to military exchanges.

Selling and promotion expenses increased by \$224,055, or 56%, to \$625,969 for the three months ended January 31, 1992 from \$401,914 for the three months ended January 31, 1991 and by \$315,741, or 33%, to \$1,260,758 for the six months ended January 31, 1992 from \$945,017 for the comparable year ago period. The increase in selling and promotion is primarily due to certain selling and promotion costs which were deferred in the three and six month periods ended January 31, 1991 and were not deferred in the three and six month periods ended January 31, 1992. Had selling and promotion expenses been recognized in the period incurred, without any deferrals or expensing of prior deferred portions, selling and promotion costs would have increased by \$59,593, or 15%, for the three month period ended January 31, 1992 and decreased by \$133,896, or 14%, for the six month period ended January 31, 1992.

General and administrative expenses decreased by \$10,241, or 1%, from \$782,642 for the three months ended January 31, 1991 to \$772,401 for the three months ended January 31, 1992 and by \$316,383, or 18%, to \$1,407,429 for the six months ended January 31, 1992 from \$1,723,812 for the comparable year ago period. This decrease is primarily attributable to the recording of service claims as a general and administrative expense during the three and six month periods ended January 31, 1991. No such costs were incurred during the three and six month periods ended January 31, 1992, as the Company incurs no service claims under its current insurance policy as described above.

Insurance expense increased to \$375,960 for the three months ended January 31, 1992 from \$136,162 for the three months ended January 31, 1991 and to \$887,052 for the six months ended January 31, 1992 from \$173,662 for the comparable year ago period. The difference is attributable to the change in insurance policies, as previously noted.

As a result of the above factors relating to revenues and expenses, net losses amounted to \$677,560 and \$1,047,397 for the three and six month periods ended January 31, 1992, respectively, and \$722,486 and \$1,825,485 for the three and six month periods ended January 31, 1991, respectively.

**ITEM 2: MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

General:

ComponentGuard was incorporated in May 1985 to create, market and administer service contracts, commonly known as "extended warranties," on certain major brands of consumer electronic products. These contracts generally have a term of one to three years, up to a maximum of five years from the retail purchase date.

The Company utilized, for the first two quarters of fiscal 1991, the "full deferral method" of accounting for recognizing revenues on sales of extended warranty contracts, as prescribed in the Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue No. 89-17. The specific application of the full deferral method of accounting required the Company to initially defer such revenues and recognize them on the straight-line basis over the lives of the related service contracts beginning approximately five months after the initial sale (such period represented the Company's estimate of the time required for warranty coverage to commence). Costs incurred by the Company for repair work (direct costs) were expensed as incurred and costs directly associated with the sale of the extended warranty contracts were deferred and amortized in proportion to the recognition of revenues.

Until April 1991, the extended warranty contracts administered by the Company were insured by an aggregate limit service contract reimbursement insurance policy. In April 1991, the Company cancelled its aggregate limit service contract reimbursement insurance policy and obtained a non-aggregate limit contractual liability insurance policy for all unexpired service contracts. Consequently, the Company was able to recognize as earned revenue, sales of all unexpired service contracts. Deferred costs and deferred revenues have thus been reversed during fiscal 1991 because the Company no longer bears any risk of loss when an extended warranty contract is sold.

Results of Operations:

Earned revenues from sales of extended warranty programs increased to \$1,115,516 for the three months ended January 31, 1992 from \$622,434 for the three months ended January 31, 1991 and to \$2,534,434 for the six months ended January 31, 1992 from \$1,058,035 for the comparable year ago period. The increase in revenues is the result of the Company being able to fully recognize sales as revenue in the three and six month periods ended January 31, 1992 because the extended warranties sold are fully insured under a non-aggregate contractual liability insurance policy under which the Company bears no risk of loss. During the three and six month periods ended January 31, 1991, revenues from sales of extended warranty programs were deferred and recognized over the life of the warranty because the sales were made under an aggregate limit service contract reimbursement policy under which the Company ultimately bore the risk of loss.

Results of Operations (Con't):

Extended warranty programs sold for the three months ended January 31, 1992 were \$1,115,516 compared to \$2,105,613 for the three months ended January 31, 1991, a decrease of \$990,097, or 47%. Extended warranties sold for the six months ended January 31, 1992 were \$2,534,434 compared to \$4,102,522 for the six months ended January 31, 1991, a decrease of \$1,568,088, or 38%. The sales of the Company in the three and six month periods ended January 31, 1992 were adversely affected by a slowdown in the consumer electronics industry due to economic factors. The Company believes that this trend will continue in fiscal 1992 and is attempting to offset this trend by expanding sales to lawn and garden stores and to military exchanges.

Selling and promotion expenses increased by \$224,055, or 56%, to \$625,969 for the three months ended January 31, 1992 from \$401,914 for the three months ended January 31, 1991 and by \$315,741, or 33%, to \$1,260,758 for the six months ended January 31, 1992 from \$945,017 for the comparable year ago period. The increase in selling and promotion is primarily due to certain selling and promotion costs which were deferred in the three and six month periods ended January 31, 1991 and were not deferred in the three and six month periods ended January 31, 1992. Had selling and promotion expenses been recognized in the period incurred, without any deferrals or expensing of prior deferred portions, selling and promotion costs would have increased by \$59,593, or 15%, for the three month period ended January 31, 1992 and decreased by \$133,896, or 14%, for the six month period ended January 31, 1992.

General and administrative expenses decreased by \$10,241, or 1%, from \$782,642 for the three months ended January 31, 1991 to \$772,401 for the three months ended January 31, 1992 and by \$316,383, or 18%, to \$1,407,429 for the six months ended January 31, 1992 from \$1,723,812 for the comparable year ago period. This decrease is primarily attributable to the recording of service claims as a general and administrative expense during the three and six month periods ended January 31, 1991. No such costs were incurred during the three and six month periods ended January 31, 1992, as the Company incurs no service claims under its current insurance policy as described above.

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As a result of the above factors relating to revenues and expenses, net losses amounted to \$677,560 and \$1,047,397 for the three and six month periods ended January 31, 1992, respectively, and \$722,486 and \$1,825,485 for the three and six month periods ended January 31, 1991, respectively.

Results of Operations (Con't):

Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," (SFAS 96), was issued by the Financial Accounting Standards Board in December 1987 and is effective for annual financial statements for fiscal years beginning after December 15, 1991. SFAS 106, "Employers' Accounting for Post Retirement Benefits Other Than Pensions" is effective for financial statements for fiscal years beginning after December 15, 1992. The Company does not expect the impact of adoption of either SFAS to be significant.

Liquidity and Capital Resources

The Company was formed in May 1985. From inception through September 1987, the Company applied its limited resources primarily to test marketing in overseas United States military exchanges. In September 1987, the Company completed its initial public offering, realizing the net proceeds of approximately \$2,000,000. In March 1990, the Company raised gross proceeds of \$1,000,000 from the private placement of \$1,000,000 of 10% convertible subordinated debentures due December 31, 1992 (convertible into Common Stock at \$.50 per share) to a small group of foreign investors. In July 1990, ComponentGuard sold a \$1,500,000 convertible note to a foreign private investor, which note was converted into 3,000,000 shares of Common Stock in January 1991. Pursuant to the terms of the lending agreement, based upon a formula with regard to the price of the Common Stock of the Company, the Company is issuing to the foreign private investor, an additional 1,350,000 shares. In July 1991, the Company privately placed 4,000,000 shares of Common Stock with a group of foreign investors, the net proceeds of which were \$900,000. During fiscal 1992, two investors, one of which was foreign based, provided the Company with \$500,000, for which the Company issued \$500,000 demand notes, convertible at \$.18 per share. All of the financings described in this paragraph resulted from the efforts of a private Switzerland-based investment banking firm (the "Investment Banker").

On December 4, 1991, the Investment Banker provided to the Company's independent auditors, in conjunction with the audit of the financial statements of the Company for fiscal 1991, a letter which committed the Investment Banker to provide the Company with the capital resources it required to maintain operations through the end of 1992. In January 1992, the Company requested additional financing from the Investment Banker in order to continue to pursue its current business plan and maintain its operations. Despite the existence of the commitment letter, the Investment Banker declined to provide any further funding.

During December 1991, the Investment Banker demanded repayment of a \$200,000 demand note. However, later in December 1991, the Investment Banker lent the Company an additional \$100,000. The Company believes that the additional loan was evidence that the repayment demand was rescinded. The Investment Banker has also required the Company to register various Common Stock as soon as the Company is able to complete a registration statement. The Company believes that it is in compliance with the requirement.

Liquidity and Capital Resources (Con't)

The Company is currently experiencing a shortfall in operating cash, which has primarily been caused by a slowdown in the consumer electronics business during the last several months, during which the Company had five major customers go bankrupt. Since the Investment Banker has not honored its written funding commitment, the Company has sought from its insurance company the cash required to fund current operations. Pursuant to the Company's request, the insurance company has agreed to release a \$350,000 letter of credit that it was holding as part of an agreement to fully insure the Company's extended warranty contracts that were sold and registered before May 1, 1991, the date of the effectiveness of the Company's new insurance policy. The Company believes that this excess of such limit will exceed \$350,000 but is unable at this point in time to calculate such amount. The cancellation of this agreement results in the Company being ultimately liable for warranty claims that exceed the limit of the aggregate limit service contract reimbursement insurance policy that was used by the Company prior to May 1, 1991. When this transaction is completed during the third quarter of fiscal 1992, the Company will be required to record on its books the deferred revenue and deferred costs associated with the unearned portion of the extended warranty contracts that were sold under the aggregate limit service contract reimbursement insurance policy. Such amounts are not reasonably estimable at this time, but will have the effect of decreasing the Company's net worth, as such previously recorded revenues that will be deferred will exceed the previously recorded expenses that will be deferred.

Since its initial public offering, the Company increased its staffing, training and other organizational activities, developed and implemented an extensive nationwide advertising campaign in selected periodicals to establish the Company "brand name," and with the benefit of the consumer awareness generated by such advertising, established a network of retailers selling its extended service contracts to consumers.

On January 31, 1992, the working capital deficit of the Company was \$1,625,263 as compared to working capital of \$465,920 at July 31, 1991. The decrease in working capital is primarily attributable to the expenditure of resources to finance the loss of the six month period ended January 31, 1992 and to the reclassification of \$1,000,000 of debt due on December 31, 1992 from long-term debt to current debt. Management is attempting to reverse this trend during the next quarter by reducing the length of payment terms it has granted to certain customers and by further developing sales into distribution channels other than consumer electronic retailers.

At January 31, 1992, the Company's shareholders' deficiency was \$1,275,540 as compared to a shareholders' deficiency of \$228,143 at July 31, 1991. The decrease in equity is due to the loss incurred of \$1,047,397 during the six month period ended January 31, 1992.

Liquidity and Capital Resources (Con't)

At January 31, 1992, accounts receivable amounted to \$704,584 as compared to \$934,868 at July 31, 1991. The decrease in accounts receivable is attributable to cash collections exceeding sales during the quarter ended January 31, 1992, and an overall decrease in sales.

Cash flows used in operating activities decreased to \$786,689 in the six months ended January 31, 1992 from \$1,125,421 in the six months ended January 31, 1992. This net decrease is primarily attributable to the decreased cash flow required to support operating requirements.

Net cash flows provided by investing activities in the six months ended January 31, 1992 amounted to \$55,019 as compared to \$103,592 in the six months ended January 31, 1991. The differences between the two periods is the purchase of fixed assets and proceeds from certificates of deposits in the six months ended January 31, 1992 of \$144,981 and \$200,000 respectively, as compared to \$49,449 in purchases of fixed assets, \$53,025 in net proceeds of certificates of deposits and \$100,106 in sales of marketable securities in the six months ended January 31, 1991.

Net cash provided by financing activities amounted to \$493,467 in the six months ended January 31, 1992 as compared to net cash used in financing activities of \$47,063 in the six months ended January 31, 1991. The primary difference is \$500,000 in proceeds from a convertible demand note during the six months ended January 31, 1992, as compared to \$45,000 in purchases of treasury stock in the six months ended January 31, 1991.

In view of the Company's immediate need for capital to sustain current operations and in conjunction with new management's efforts to expand the business of the Company and to develop several channels of distribution for its product, the Company is attempting to raise additional capital through debt or equity financings. In view of the Investment Banker's declination to further fund the Company, the Company is attempting to identify other sources of funds. There can be no assurance that financings will be available at the appropriate terms and conditions.

After the utilization of the proceeds of the \$350,000 letter of credit described above, the Company's ability to sustain operations will be dependent upon obtaining additional financing.

PART II: OTHER INFORMATION

COMPONENTGUARD, INC.

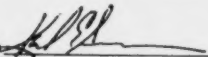
Item 6. Exhibits and Reports on Form 8-K:

There have been no reports on Form 8-K filed during the quarter ended January 31, 1992.

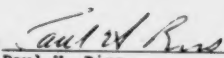
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ComponentGuard, Inc.

By: 

Karl E. Guerra
President
(Principal Executive Officer)

By: 

Paul H. Riss
Controller
(Principal Financial and Accounting Officer)

Dated: March 13, 1992